

Truth in Testimony Disclosure Form

In accordance with Rule XI, clause 2(g)(5)* of the *Rules of the House of Representatives*, witnesses are asked to disclose the following information. Please complete this form electronically by filling in the provided blanks.

Committee: Ways and Means

Subcommittee: Tax

Hearing Date: 05/20/2026

Hearing Subject:

No tax on tips

Witness Name: Darcy D Michalek

Position/Title: Owner/President

Witness Type: Governmental Non-governmental

Are you representing yourself or an organization? Self Organization

If you are representing an organization, please list what entity or entities you are representing:

National Retail Federation

FOR WITNESSES APPEARING IN A NON-GOVERNMENTAL CAPACITY

Please complete the following fields. If necessary, attach additional sheet(s) to provide more information.

Are you a fiduciary—including, but not limited to, a director, officer, advisor, or resident agent—of any organization or entity that has an interest in the subject matter of the hearing? If so, please list the name of the organization(s) or entities.

Please list any federal grants or contracts (including subgrants or subcontracts) related to the hearing's subject matter that you or the organization(s) you represent have received in the past thirty-six months from the date of the hearing. Include the source and amount of each grant or contract.

Please list any contracts, grants, or payments originating with a foreign government and related to the hearing's subject that you or the organization(s) you represent have received in the past thirty-six months from the date of the hearing. Include the amount and country of origin of each contract or payment.

Please complete the following fields. If necessary, attach additional sheet(s) to provide more information.

- I have attached a written statement of proposed testimony.
- I have attached my curriculum vitae or biography.

* Rule XI, clause 2(g)(5), of the U.S. House of Representatives provides:

(5)(A) Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof.

(B) In the case of a witness appearing in a non-governmental capacity, a written statement of proposed testimony shall include— (i) a curriculum vitae; (ii) a disclosure of any Federal grants or contracts, or contracts, grants, or payments originating with a foreign government, received during the past 36 months by the witness or by an entity represented by the witness and related to the subject matter of the hearing; and (iii) a disclosure of whether the witness is a fiduciary (including, but not limited to, a director, officer, advisor, or resident agent) of any organization or entity that has an interest in the subject matter of the hearing.

(C) The disclosure referred to in subdivision (B)(ii) shall include— (i) the amount and source of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) related to the subject matter of the hearing; and (ii) the amount and country of origin of any payment or contract related to the subject matter of the hearing originating with a foreign government.

(D) Such statements, with appropriate redactions to protect the privacy or security of the witness, shall be made publicly available in electronic form 24 hours before the witness appears to the extent practicable, but not later than one day after the witness appears.



False Statements Certification

Knowingly providing material false information to this committee/subcommittee, or knowingly concealing material information from this committee/subcommittee, is a crime (18 U.S.C. § 1001). This form will be made part of the hearing record.



Witness signature

5/18/26

Date



Testimony of Darcy Michalek

Owner, Garbo's Salon and Spa, Subway Franchises, Taco John's, and BaseKamp Coffee & Wine Bar

On Behalf of the National Retail Federation
Before the House Committee on Ways and Means
March 20, 2026

Chairman Smith, Ranking Member Neal, and Members of the Committee:

Thank you for the opportunity to testify today regarding the tax provisions included in the Working Families Tax Cut Act and the meaningful impact these policies are having on small businesses and tipped workers across the country.

My name is Darcy Michalek, and together with my husband, I own and operate four Garbo's Salon and Spa locations, 21 Subway franchises, one Taco John's location, and two BaseKamp Coffee & Wine Bar locations in Nebraska. Across our businesses, we employ approximately 289 people, and more than 90% of our workforce earns tips as part of their income.

I am proud to testify today on behalf of the National Retail Federation, which represents an industry that supports 55 million American jobs and contributes \$5.3 trillion annually to the U.S. economy.

My husband and I became business owners nearly 20 years ago when we purchased our first salon in 2006. Since then, we have worked to grow businesses rooted in customer service, opportunity and community. We are a family-owned business, and our salon business is majority woman-owned. Like many small business owners, we are deeply invested not only in our companies, but in the people who make them successful every single day.

I want to thank this Committee, Chairman Smith, Congress and the administration for advancing policies that recognize and support working Americans. In particular, I appreciate the inclusion of the "no tax on tips" provision and the decision to preserve a competitive corporate tax rate without imposing additional backdoor tax increases on businesses like ours.

For our employees, tips are not extra income. Tips are part of how they pay rent, buy groceries, support children, care for aging parents and build a future. In our salons and restaurants, every tip represents a customer choosing to say "thank you" for excellent service. These are not automatic service charges added to a bill. They are earned one interaction at a time through hard work, professionalism and personal connection.

The "no tax on tips" provision has made a real difference for many of our employees.

One employee shared with me that the additional refund she received allowed her to finally pay off more than \$4,000 in high-interest medical debt that she had struggled with for over a year. Another employee told me this was the first year in a long time she did not have to worry about

how she would pay an unexpected tax bill while still caring for her children. One of our longtime employees going through a difficult divorce explained to me that the tax relief prevented what he described as a “financial bloodbath” after being forced to liquidate assets during the settlement process.

These are not abstract policy discussions for our workforce. These policies are affecting real people in meaningful ways.

We also saw a noticeable improvement in morale as employees began receiving larger tax refunds this year. For our salon employees especially, the beginning of the year is traditionally slower, and the added financial relief came at an important time. Employees felt seen. They felt valued. And they felt like Washington understood the realities of working Americans who rely on tips to support their families.

As an employer, policies like these matter because small businesses are under tremendous pressure right now.

Over the last several years, we have faced rising labor costs, inflation, higher supply costs, growing swipe fees for credit card sales, increasing insurance expenses, and significant state-level mandates, including minimum wage increases and paid leave requirements. In Nebraska, the minimum wage has risen to \$15 per hour, and mandatory paid sick leave requirements have added substantial additional costs for employers in industries that already operate on tight margins.

In the restaurant business, when an employee uses paid sick leave, we not only pay for that leave, but we also have to pay another employee to cover the shift. The cost effectively doubles. These are real pressures facing small businesses every day.

The tax relief provided through the Working Families Tax Cut Act helps offset some of these challenges and gives businesses like ours the ability to continue investing in employees, maintaining operations and planning for the future.

Importantly, preserving a competitive business tax environment also matters. Small businesses need certainty. We need confidence that we can continue reinvesting in our operations, updating facilities, retaining workers and serving our communities without facing unexpected tax increases that make growth more difficult.

At our salon locations, we are already discussing improvements and reinvestments we hope to make once we receive our FICA tip tax refund. That certainty matters for businesses trying to plan responsibly in a very challenging economic environment.

I also want members of Congress to understand the character and work ethic of tipped workers.

A hairstylist spends long hours on their feet while balancing technical precision, customer service and creativity. I often tell our salon team they have to be part artist, part chemist and part

counselor — while bringing their best attitude whether it is 9:00 in the morning or late in the evening.

Our restaurant employees are no different. Many of our Subway employees know customers by name and remember their regular orders before they even reach the counter. They go out of their way to brighten someone's day. That connection is why customers choose to tip. The policy also helps alleviate the costs of swipe fees on tips, which are similar in nature to a tax.

These workers earn those tips through effort, personality, consistency and care.

I believe the “no tax on tips” provision recognizes the dignity of that work. It is good policy because it rewards work, supports families and strengthens local businesses and communities.

If these provisions were allowed to expire, many hardworking Americans would once again feel the weight of higher taxes on income they worked incredibly hard to earn. I would encourage Congress to continue supporting policies that allow tipped workers to keep more of what they earn and allow small businesses to remain competitive.

I will close with something personal.

Recently, I read a devotional that said: “Let the daunting size of your task and the sheer weight of your responsibility keep you daily at the feet of God.”

My husband and I think about that often. We have nearly 300 employees depending on us to navigate an increasingly difficult environment for small businesses. We take that responsibility seriously.

That is why I agreed to testify today.

When we see a policy directly helping hardworking Americans — not in theory, but in real life — it is important to say so. The Working Families Tax Cut Act, especially the “no tax on tips” provision, is making a positive difference for our employees, our businesses, and our communities.

Thank you again for the opportunity to testify today, and I look forward to your questions.